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REPORT BY THE SECRETARY-GENERAL PURSUANT TO PARAGRAPH 5 OF SECURITY COUNCIL RESOLUTION 706 (1991)

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REPORT BY THE SECRETARY-GENERAL PURSUANT TO PARAGRAPH 5 OF SECURITY COUNCIL RESOLUTION 706 (1991)

Introduction

1. On 15 August 1991, the Security Council, recalling its previous relevant resolutions and in particular resolutions 661 (1990), 686 (1991), 687 (1991), 688 (1991), 692 (1991), 699 (1991) and 705 (1991) and acting under Chapter VII of the Charter of the United Nations, adopted resolution 706 (1991), the pertinent paragraphs of which for the purposes of the present report read as follows:

"The Security Council,

"...

"1. Authorizes all States, subject to the decision to be taken by the Security Council pursuant to paragraph 5 below and notwithstanding the provisions of paragraphs 3 (a), 3 (b) and 4 of resolution 661 (1990), to permit the import, during a period of six months from the date of passage of the resolution pursuant to paragraph 5 below, of petroleum and petroleum products originating in Iraq sufficient to produce a sum to be determined by the Council following receipt of the report of the Secretary-General requested in paragraph 5 of this resolution but not to exceed 1.6 billion United States dollars for the purposes set out in this resolution and subject to the following conditions:

"(a) Approval of each purchase of Iraqi petroleum and petroleum products by the Security Council Committee established by resolution 661 (1990) following notification to the Committee by the State concerned;

"(b) Payment of the full amount of each purchase of Iraqi petroleum and petroleum products directly by the purchaser in the State concerned into an escrow account to be established by the United Nations and to be administered by the Secretary-General, exclusively to meet the purposes of this resolution;

"(c) Approval by the Council, following the report of the Secretary-General requested in paragraph 5 of this resolution, of a scheme for the purchase of foodstuffs, medicines and materials and supplies for essential civilian needs as referred to in paragraph 20 of resolution 687 (1991), in particular health-related materials, all of which to be labelled to the extent possible as being supplied under this scheme, and for all feasible and appropriate United Nations monitoring and supervision for the purpose of assuring their equitable distribution to meet humanitarian needs in all regions of Iraq and to all categories of the Iraqi civilian population, as well as all feasible and appropriate management relevant to this purpose, such a United Nations role to be available if desired for humanitarian assistance from other sources;

"(d) The sum authorized in this paragraph to be released by successive decisions of the Committee established by resolution 661 (1990) in three equal portions after the Council has taken the decision provided for in paragraph 5 below on the implementation of this resolution, and notwithstanding any other provision of this paragraph, the sum to be subject to review concurrently by the Council on the basis of its ongoing assessment of the needs and requirements;

"2. Decides that a part of the sum in the account to be established by the Secretary-General shall be made available by him to finance the purchase of foodstuffs, medicines and materials and supplies for essential civilian needs, as referred to in paragraph 20 of resolution 687 (1991), and the cost to the United Nations of its roles under this resolution and of other necessary humanitarian activities in Iraq;

"3. Decides further that a part of the sum in the account to be established by the Secretary-General shall be used by him for appropriate payments to the United Nations Compensation Fund, the full costs of carrying out the tasks authorized by section C of resolution 687 (1991), the full costs incurred by the United Nations in facilitating the return of all Kuwaiti property seized by Iraq and half the costs of the Boundary Commission;

"4. Decides that the percentage of the value of exports of petroleum and petroleum products from Iraq, authorized under this resolution to be paid to the United Nations Compensation Fund, as called for in paragraph 19 of resolution 687 (1991), and as defined in paragraph 6 of resolution 692 (1991), shall be the same as the percentage decided by the Security Council in paragraph 2 of resolution 705 (1991) for payments to the Compensation Fund, until such time as the Governing Council of the Fund decides otherwise;

"5. Requests the Secretary-General to submit within twenty days of the date of adoption of this resolution a report to the Security Council for decision on measures to be taken in order to implement paragraphs 1 (a), (b) and (c), estimates of the humanitarian requirements of Iraq set out in paragraph 2 above and of the amount of Iraq's financial obligations set out in paragraph 3 above up to the end of the period of the authorization in paragraph 1 above, as well as the method for taking the necessary legal measures to ensure that the purposes of this resolution are carried out and the method for taking account of the costs of transportation of such Iraqi petroleum and petroleum products."

I. PRELIMINARY OBSERVATIONS

2. A careful study of the relevant provisions of Security Council resolution 706 (1991) and consideration of the measures that may be devised to implement them reveals that a number of those provisions necessitate an approach from a policy point of view, while some others require elucidation for administrative or procedural purposes.

3. For success in implementing the programme envisaged in resolution 706 (1991) pursuant to the provisions of paragraphs 1 to 4 thereof, it will be imperative to secure the fullest cooperation of Iraq and Turkey, two parties most closely connected to the operation of the programme; on the part of the former, in the production and supply of petroleum and petroleum products for sale and in the distribution of foodstuffs, medicines, materials and supplies for essential civilian needs in Iraq, and on the part of the latter in facilitating an uninterrupted flow of Iraqi petroleum for export via the oil pipeline from Iraq through Turkey, bearing in mind that that route is at present the only viable means of moving bulk quantities of Iraqi petroleum for export. Accordingly, informal contacts have been made with the Iraqi and Turkish authorities for the purpose of exploring and establishing such cooperation.

4. Resolution 706 (1991) stipulates the parameters within which proceeds from the sale of Iraqi petroleum and petroleum products would be devoted to providing the humanitarian and other essential civilian requirements so desperately needed by the people of Iraq, as the Government of Iraq has consistently expressed and as the international community fully recognizes.

5. The Turkish authorities have indicated that the Turkish oil pipeline company BOTAS is prepared to reopen the oil flow, storage and loading operations and that there are at present about 1.58 million barrels of Iraqi petroleum in storage at the Turkish port of Yumurtalik ready for immediate marketing. They have also stated that the figure for the transportation costs to BOTAS will have to be calculated on the basis that the pipeline would be working at full capacity, irrespective of how much petroleum would actually be flowing.

6. The Turkish authorities have further expressed the preference that the transportation costs due to BOTAS be defrayed from the escrow account to be established by the Secretary-General and have also indicated that those costs might be met in kind from petroleum supplies by Iraq.

7. The question of the security from seizure of Iraqi petroleum and petroleum products in transit before acquisition of title to them by prospective buyers and from claims by third parties against the proceeds from the sales of the petroleum and petroleum products has been examined. Possible ways for averting such eventualities are considered in paragraphs 30 to 34 below.

8. There may be potential difficulties inherent in the requirement for release of the funds in the escrow account in three equal tranches. The first difficulty is that it will not be possible to obtain release of any funds until the funds in the account have accumulated to at least one third of the total sum to be determined by the Security Council. Moreover, unless the deductions and operational costs are recovered in the same proportions of one third from each successive tranche, it may be found that, at any stage, the balance of funds in a tranche amounts only to a sum insufficient to provide the necessary humanitarian and other essential civilian needs. These

difficulties would be overcome if the Committee established by resolution 661 (1990) was to decide immediately after the adoption of the resolution endorsing the present report that the first tranche of one third of the total could be released.

9. Mention of a United Nations role in dealing with humanitarian assistance that may be provided from funds from other sources (see resolution 706 (1991), para. 1 (c)) raises the possibility that funds from such other sources as accounts held in favour of Iraq or voluntary contributions may be deposited into the escrow account. Use of such funds, apart from the proceeds from authorized sales of Iraqi petroleum and petroleum products, would have to be confined exclusively to the procurement and distribution of items of a humanitarian nature in accordance with the provisions of, and procedures established for, paragraph 20 of resolution 687 (1991) and would have to be free from the obligatory deductions and administrative costs specified in paragraphs 2 and 3 of resolution 706 (1991).

10. Resolution 706 (1991) contemplates the possibility of Iraq offering petroleum products for sale, in addition to crude petroleum. On the basis of all available information, it would appear that Iraq is most unlikely to be in a position to offer significant quantities of petroleum products for sale at present. But if Iraq was able to do so, adequate measures could be devised promptly for verifying and monitoring such exports.

11. Finally, it is to be noted that the actual sum from the sale of Iraqi petroleum and petroleum products will have to be determined by the Security Council after its consideration of the present report. Bearing in mind the reports of the Executive Delegate of the Secretary-General for the United Nations Inter-Agency Humanitarian Programme for Iraq, Kuwait and the Iraq/Turkey and Iraq/Iran border areas (see S/22799, annex, and annex I to the present report), the Secretary-General deems it necessary to underline that, even if the maximum amount of $1.6 billion was to be the sum authorized by the Security Council under paragraph 1 of resolution 706 (1991), there would be a shortfall of approximately $800 million in the amount estimated by the Executive Delegate of the Secretary-General as necessary to meet the humanitarian and essential civilian requirements after deductions for the other purposes stipulated in the resolution.

II. IRAQ'S CURRENT OIL EXPORT CAPACITY

12. At present Iraq's crude oil production is between 300,000 and 500,000 barrels per day and maximum production capacity has been estimated at 1.455 million barrels per day. Only the production facilities in the Kirkuk area in the north and one of the pipelines to Yumurtalik in Turkey are operational. Under these conditions Iraq could export up to 1 million barrels a day, which is the current capacity of that pipeline.

13. Current productive capacity is well below the 3.14 million barrels per day that Iraq was producing before 2 August 1990, of which approximately 330,000 barrels per day were consumed domestically. Before 2 August 1990 Iraqi oil sold at a discount of between $1.50 and $2 below the price of the benchmark North Sea Brent crude.

14. At a possible price of $17.00 per barrel, Iraq would have to sell 94 million barrels (515,000 barrels per day for six months) to obtain the $1.6 billion specified in Security Council resolution 706 (1991). If Iraq was allowed to export at the current maximum capacity of 1 million barrels per day, it could generate revenue of $1.6 billion in three months or $3.2 billion during a six-month period.

III. ESTIMATES OF HUMANITARIAN REQUIREMENTS

15. As concluded by the recent humanitarian inter-agency mission of the Executive Delegate of the Secretary-General (hereafter referred to as "the mission"), the present food, health and nutrition situation in Iraq is critical. The problems of the severely debilitated population are aggravated by widespread shortages of essential medicines and medical supplies. Additionally, a generalized lack of safe water and unreconstructed or insufficient sanitation facilities maintain the incidence of water-borne and endemic diseases at a high level throughout the country.

16. Taking into account the above situation, the mission recommended that the maintenance of food supply and consumption as well as the close monitoring of the nutritional and health status of the Iraqi population over the next few months are absolutely necessary to prevent full-scale famine and major human disaster developing in the country.

17. The mission estimated that food import requirements for six months would amount to $1.1 billion. It also estimated the cost of imports required to re-establish basic health services at $250 million. In addition, $27 million is deemed necessary to initiate an urgent and critically needed supplementary feeding programme for mothers and children. Water and sanitation requirements covering both equipment and supplies were estimated at $120 million. To import the essential agricultural inputs recommended by the mission an additional $300 million is needed.

18. The report of the Executive Delegate on estimates of humanitarian requirements is reproduced in annex I to the present report.

IV. BASIC STRUCTURE FOR THE IMPLEMENTATION OF THE RELEVANT PROVISIONS OF SECURITY COUNCIL RESOLUTION 706 (1991)

A. Measures pertaining to the conclusion of contracts for the sale of petroleum and petroleum products and realization of the proceeds in an escrow account

19. The two first conditions under which resolution 706 (1991) authorizes the import of Iraqi petroleum and petroleum products are:

> "(a) Approval of each purchase of Iraqi petroleum and petroleum products by the Security Council Committee established by resolution 661 (1990) following notification to the Committee by the State concerned;
>
> "(b) Payment of the full amount of each purchase of Iraqi petroleum and petroleum products directly by the purchaser in the State concerned into an escrow account to be established by the United Nations and to be administered by the Secretary-General, exclusively to meet the purposes of this resolution;".

The first step affected by these conditions is the conclusion of the relevant contracts. The resolution is silent on further details. In order to ensure strict observance of the conditions set by the resolution, the first question that arises is who is to choose the buyer, to negotiate the price and other terms, to administer the sales contract and to control documentation. Three options are conceivable: marketing and sale by the Iraqi State oil company, SOMO, marketing and sale by a United Nations organ to be created for that purpose or marketing and sale by a third party (either an oil trader or a broker).

20. The most efficient way of selling Iraqi petroleum and petroleum products is for Iraq to carry out the marketing, to the extent that is possible within the conditions of resolution 706 (1991), in conformity with its normal trading practices. Such trading would avoid the establishment of new and duplicate structures and procedures. Furthermore, Iraq knows best the market for Kirkuk crude and it already has clients of long standing. It could start marketing and selling the oil immediately and it has a vested interest in negotiating the best possible terms for the sale of its oil.

21. It would be highly unusual if the United Nations were to engage in trading Iraqi oil directly or through a third party. Rather, the role of the United Nations at that stage should be limited to ensuring that the contracts are consistent with resolution 706 (1991) and are not in contravention of the sanctions regime.

22. The mechanism for monitoring the negotiation and conclusion of the contracts must be flexible enough to meet the demands of the oil market, while at the same time ensuring that sale of the petroleum and petroleum products and realization of the proceeds are consistent with the object and purposes of resolution 706 (1991). The most efficient way of striking the appropriate

balance is by assigning ultimate responsibility for monitoring and control to the Committee established by resolution 661 (1990); this monitoring process should be assisted by independent inspection agents. The alternative of assigning ultimate monitoring responsibility to the States in which the purchasers operate would generate unacceptable and unnecessary time lags as each State would be required to set up monitoring and control mechanisms independently. Resolution 706 (1991) was adopted, in part, to meet pressing humanitarian needs in Iraq; the time required to take legislative and administrative measures in every State in which potential purchasers operate is simply not available.

23. Every contract between SOMO and the purchaser must include the following provisions:

(a) The contract enters into force only after it has received the approval of the Security Council Committee established by resolution 661 (1990), following notification to the Committee by the State in which the purchaser is based;

(b) The proceeds from the sale are to be deposited by the purchaser into the escrow account established by the United Nations and administered by the Secretary-General;

(c) The purchaser must open a letter of credit for each transaction providing for payment into the United Nations escrow account.

24. In order to facilitate the monitoring of the transaction, every contract must also stipulate that the oil be shipped via the Kirkuk-Yumurtalik pipeline, f.o.b. Ceyhan.

25. The letter of credit that must be opened for each contract should be issued by a reputable bank engaged in international banking and should be in a standard form.

26. As indicated in paragraph 22 above, the Committee should be assisted in monitoring by independent inspection agents. These agents should be appointed by the United Nations and have the status of experts on mission under the Convention on the Privileges and Immunities of the United Nations. In addition, the Security Council should, in implementing the present report, provide for their freedom of movement. The inspection agents should be stationed at SOMO's operations in whatever location allows for maximum access to the relevant information. The use of independent agents for inspection purposes is standard practice in the oil industry and several companies exist that could, by a competitive process, be chosen to provide experts to perform the task. At a minimum, the agents would verify that:

(a) The price is reasonable in the light of prevailing market conditions;

(b) The contract enters into force only after it has received the approval of the Committee established by resolution 661 (1990);

(c) The full amount of the purchase price is to be deposited by the purchaser in an escrow account to be set up by the United Nations and administered in accordance with the Financial Regulations and Rules of the United Nations;

(d) The purchaser must open a letter of credit providing for payment into the United Nations escrow account;

(e) The terms of the contract do not circumvent the sanctions regime and are not fraudulent.

Immediately following completion of the negotiations and agreement on the contract terms, the inspection agents should forward a copy of the negotiated contract together with a report to the Committee established by resolution 661 (1990).

27. Once negotiations are completed and the terms of the contract are agreed upon by the purchaser and SOMO, then the contract will, before it can enter into force, have to be submitted formally to the Committee established by resolution 661 (1990) and have been approved by it. The formal submission of the contract must be made by the Government of the State of the purchaser concerned. The Secretary-General recommends that the Governments of States where purchasers are located shall, where necessary, establish the procedures for prompt submission of the contracts to the Committee for approval.

28. The Committee established by resolution 661 (1990) will adopt the procedure by which the contracts are to be approved. The approval process must be both thorough and timely. In this regard, the Committee will benefit from the report of the independent inspection agent. It may also be assisted by other experts as appropriate. The Committee's review of each transaction is essential but, in the oil trade, contracts must be finalized promptly. If the approval process is slow, then the agreements could fall through or, what is more likely, simply not be made. To meet this concern, the Committee should make every effort to design a reliable procedure by which approval can be obtained promptly, within not more than 24 hours from when the approval is requested. Ultimately, a "no-objection procedure", similar to the one used in implementing paragraph 20 of Security Council resolution 687 (1991), could be adopted.

B. Control of implementation of the contracts

29. Tight control over the implementation of the contracts for the purchase of petroleum and petroleum products is necessary if the objectives of resolution 706 (1991) are to be attained and the conditions laid down in that resolution are to be complied with. Independent inspection agents, having the same status as the agents to be stationed at SOMO's operations and hired in the same way, should be assigned responsibility for monitoring the flow of oil through the pipeline and at the loading terminal. The agents should ensure that the quantity and quality of petroleum delivered to purchasers accords

with the contract terms and that no oil is delivered without the requisite approval of the Committee established by resolution 661 (1990). This inspection, of necessity, must go further than what is normal in the oil trade. Inspection should be conducted at the Iraqi access points to the Kirkuk-Yumurtalik pipeline in Kirkuk, at the border between Iraq and Turkey to the extent possible, and at the loading terminal in Yumurtalik. The inspection agents should be requested to report to the Committee on compliance with the terms of each contract and verifying the terms of the letter of credit. Loading of the oil on ships will be permitted only once the inspection confirms that these matters are in order. The inspection agents should also be requested to report periodically on the total flow of oil through the pipeline and immediately if any irregularities are noticed. The United Nations will thus be made aware of any tampering with the flow of oil and any circumvention of resolution 706 (1991).

C. Protection of the petroleum and petroleum products and their sales proceeds against interference by third parties

30. Government and private claims against Iraq arising from Iraq's invasion of Kuwait are certain to run into many billions of dollars. In this respect, it has particularly to be borne in mind that, as stated in paragraph 22 of the Secretary-General's report pursuant to paragraph 19 of Security Council resolution 687 (1991) (S/22559), the compensation mechanism decided upon in Security Council resolution 692 (1991) is not exclusive. Moreover, these enormous amounts are additional to the claims existing prior to 2 August 1990. The existence of these claims could render any Iraqi assets, including traded oil, exposed to sequestration, attachment or other forms or interference by third parties. Appropriate measures must therefore be instituted to ensure that the oil and its sales proceeds enjoy the necessary protection. This point is referred to particularly in paragraph 5 of resolution 706 (1991), in which the Secretary-General is requested to report on "the method for taking the necessary legal measures to ensure that the purposes of this resolution are carried out ...".

31. The first opportunity for Iraq's creditors or claim holders to institute legal proceedings would be when the oil arrives at the well-head in Iraq. Whatever the legal merits of such proceedings under Iraqi laws, the Security Council must take action to ensure that there would be no legal avenues in Iraq for the oil to be diverted from the purposes authorized by Security Council resolution 706 (1991). Explicit language should be included in the Security Council resolution approving the present report setting forth immunity of the oil. Additionally, Iraq should specifically be required in the same resolution to take all steps necessary, including all legal and administrative steps, to accord immunity to the oil in order to prevent any delay or obstruction in the implementation of resolution 706 (1991).

32. Iraqi oil exports during the six months envisaged by and for the purposes of Security Council resolution 706 (1991) will be shipped via the Kirkuk-Yumurtalik pipeline. While the oil passes through the pipeline in

Turkey, the immunities referred to in paragraph 31 above would continue to apply. Additionally, Turkey should be called upon by the resolution to ensure that, while in Turkish jurisdiction, the oil will not be subjected to legal proceedings and diverted from the purposes envisaged in resolution 706 (1991).

33. Upon loading of the oil into the tankers at Yumurtalik, Turkey, title would vest in the purchaser. At that point, United Nations protection and immunities would cease to be applicable but all claimants and creditors against Iraq would cease to have legal basis for pursuing the oil as Iraq would have no further legal interest in it.

34. The sale proceeds from each consignment of petroleum and petroleum products will be deposited into the escrow account to be established for this purpose. This account will be set up as a United Nations account and as such will be fully protected by the immunities of the United Nations, as provided for in Article 105 of the Charter of the United Nations and the Convention on the Privileges and Immunities of the United Nations. Additional protection of the assets would follow from one or both of the following measures:

(a) The establishment of the escrow account in a bank of a country which, under the national laws of that country, enjoys the maximum protection from third party claims;

(b) The inclusion of language in the Security Council resolution reaffirming that the escrow account, serving United Nations purposes, is to be considered a United Nations asset and therefore enjoys the privileges and immunities of the United Nations.

D. Disbursements from the escrow account and their monitoring

35. Security Council resolution 706 (1991) authorizes the Secretary-General to use the proceeds from the sale of Iraqi oil for payments of the various costs mentioned in paragraph 3 of that resolution. For this purpose an escrow account will be established under the authority of the Secretary-General and managed in accordance with the United Nations Financial Regulations. The requirements in this regard would thus cover all costs incurred following the adoption of resolution 687 (1991), along with projected estimates up to 31 March 1992 in respect of the following:

(a) Implementation of Security Council resolution 687 (1991):

(i) Demarcation of the Iraq-Kuwait boundary (half of requirments payable by Iraq);

(ii) Special commission and activities of the International Atomic Energy Agency (IAEA);

(iii) Return of Kuwaiti property;

(iv) Provision for the Compensation Fund;

(b) Costs of monitoring contracts of sale and of independent oil inspection agents;

(c) Establishment and management of the escrow account;

(d) Costs of in-country monitoring and distribution of emergency imports of basic humanitarian assistance;

(e) Direct procurement of food and medicines by the United Nations.

36. The requirements for implementing Security Council resolution 687 (1991) are estimated at $576 million. This amount includes the 30 per cent ($480 million) deduction from the oil revenues as provision for the Compensation Fund.

37. The costs of monitoring the negotiations and conclusion of the contract of sale (see paras. 22-29 above) and the independent oil inspection agents (see para. 26 above) are estimated at up to $5 million.

38. There will also be costs for establishing and managing the escrow account called for by Security Council resolution 706 (1991). These may pertain to the legal issues associated with the need to protect the assets in the escrow account against injunctions, seizures or liens and technical management services. It is estimated that approximately $2 million may be required to defray costs the United Nations may have to incur, including consultants, to ensure the smooth set up and operation of the escrow account.

39. Security Council resolution 706 (1991) calls for a scheme for the purchase of foodstuffs, medicines, materials and supplies for essential civilian needs referred to in paragraph 20 of resolution 687 (1991). The Secretary-General requested his Executive Delegate to estimate the requirements for United Nations in-country monitoring of the distribution of emergency supplies to meet basic human needs in Iraq. The Executive Delegate estimates that $18.3 million will be required to support the activities of the United Nations Children's Fund (UNICEF), the Food and Agriculture Organization of the United Nations (FAO), the World Food Programme (WFP), the World Health Organization (WHO), and his Relief Coordination Unit in Iraq (see annex II to the present report).

40. The Executive Delegate's plan for the monitoring of the in-country distribution further envisages the necessity for funds for direct supply of essential food and medicine by the participating agencies of the United Nations to vulnerable populations outside the reaches of the official distribution mechanism through which the bulk of the humanitarian assistance is to be distributed under the United Nations monitoring system. These requirements are estimated at $65 million, of which $50 million is for food and $15 million for essential medicines. These funds will be made directly available to the relevant United Nations agencies for purchases of commodities in the international market.

41. In summary, it is estimated that a total of $666.3 million will be required over the period ending 31 March 1992 for the elements outlined in paragraphs 35 to 40 above. This amount would be deducted from the $1.6 billion in oil sales, leaving some $933.7 million for procurement and distribution of humanitarian assistance to Iraq under the supervision of the United Nations as shown below:

		(Millions of $US)	
1.	Requirements of resolution 687 (1991)		
	Section A: Boundary demarcation	2.5	
	Section C: Special Commission and IAEA activities	90.0	
	Section D: Return of Kuwaiti property	3.5	
	Section E: Provision for Compensation Fund	480.0	
	Subtotal (see para. 36 above)		576.0
2.	Requirements of resolution 706 (1991)		
	a. Monitoring of contracts of sales and oil inspection (see para. 37 above)	5.0	
	b. Escrow account management (see para. 38 above)	2.0	
	c. Costs of in-country monitoring and distribution of humanitarian assistance by the United Nations (see para. 39 above)	18.3	
	d. Direct procurement of food and medicines by the United Nations (see para. 40 above)	65.0	
	Subtotal		90.3
3.	Available for purchase and transportation of humanitarian assistance		933.7
	Total		1 600.0

42. The amount of $933.7 million estimated to be available for purchase and transportation of humanitarian assistance is approximately $800 million below the revised estimates of $1.73 billion provided by the Executive Delegate (see annex I to the present report).

43. Security Council resolution 706 (1991) stipulates that the amount of $1.6 billion in the escrow account will be released by successive decisions of the Committee established by resolution 661 (1990) in three equal portions after the Security Council has taken into account the present report of the Secretary-General. In this regard, the Secretary-General observes that strict adherence to this provision would mean that no funds could be released until at least $520 million has accrued to the escrow account. It will be necessary, therefore, to ensure that the first portion is made available from the beginning of the operation of the scheme immediately after the adoption of the relevant resolution.

E. Monitoring of purchases and deliveries of humanitarian goods

44. Three options for the purchases and deliveries to Iraq of foodstuffs, medicines and materials for essential civilian needs are conceivable: purchases and deliveries by the Office of the Executive Delegate of the Secretary-General; purchases and deliveries by independent agents; or purchases and deliveries to be arranged by Iraq.

45. It would not be practical to use the United Nations option, in particular on account of the amount of time and cost that would be required for setting up the mechanisms. The same constraints would apply to the option of using independent agents. It is, therefore, recommended that the Government of Iraq be entrusted with the task of purchasing and arranging for deliveries of the goods to Iraq.

46. Iraq will notify the Office of the Executive Delegate of the Secretary-General of its specific needs for food, medicines and materials for essential civilian use. The Office of the Executive Delegate of the Secretary-General will assess the needs identified by Iraq, taking into account the level of availability of any of the items in the country and the requirements of all sections of the population.

47. A list of requirements, revised as necessary, will then be submitted to the Committee established by resolution 661 (1990) for the Committee's consideration and approval. Ultimately, a "no-objection procedure" similar to that used in implementing paragraph 20 of Security Council resolution 687 (1991) could be adopted.

48. Upon approval on an urgent basis, the Committee will so notify the Secretary-General, who will authorize payments for the approved requirements from the escrow account to the extent that the funds are available in a tranche. The Office of the Executive Delegate of the Secretary-General will notify Iraq that it may commence procedures for the purchases and for arranging for the deliveries of the goods.

49. Independent inspection agents will be appointed by the United Nations for the purpose of evaluating, verifying and monitoring the terms of offers by suppliers, the quality, quantities and labelling of the items to be supplied and the means of transportation and delivery. Such inspection agents will be stationed at the relevant ports of unloading and at the border entry points to Iraq.

50. Part-payment, in accordance with commercial practices, may be made directly to the supply company at the time of shipment or air-freight; full payment may be completed after a report of satisfaction as to quality, quantity, etc., in conformity with the terms of the supply, such report to be prepared and submitted to the Committee established by resolution 661 (1990). The Committee will signify to the Secretary-General the clearance for the final payment.

51. Upon receipt of the supplies at the entry points to Iraq, their movement to designated centres and commencement of in-country distribution will be arranged by the government agencies concerned, subject to notifying the Office of the Executive Delegate of the proposed distribution of all incoming consignments. Such notification is designed to facilitate the establishment of effective monitoring procedures.

F. In-country distribution and monitoring

52. The report of the Executive Delegate of 27 August 1991 presents a detailed scheme for monitoring the distribution of goods purchased for humanitarian purposes. The report also sets out a scheme for monitoring the impact of the humanitarian programme (see annex II to the present report).

53. With respect to distribution, three broad categories of goods must be monitored: (a) food items; (b) medical supplies; and (c) other items.

54. With respect to impact monitoring, the report identifies three areas to be focused on: (a) nutritional surveillance; (b) epidemiological surveillance; and (c) status of water purification and sanitation.

55. It is intended that a Director of Operations will be designated to supervise the monitoring of the distribution of goods purchased and delivered for humanitarian purposes and essential civilian needs in Iraq. The Director of Operations will report to the Coordinator and Special Representative in Iraq of the Executive Delegate of the Secretary-General.

56. The Director of Operations will be assisted by a team of experts or knowledgeable persons, including those drawn from the relevant United Nations agencies operating in Iraq, that is, UNICEF, WFP and FAO.

V. RECOMMENDATIONS

A. General recommendations

57. The Secretary-General wishes to recommend the following for consideration and decision by the Security Council with a view to facilitating smooth and secure realization of the objectives and purposes of the relevant provisions of resolution 706 (1991):

(a) Problems would arise if the decisions to release the tranches came only at the end of the process of selling a quantity of oil. Authorization of the release of the first tranche by the Committee established by resolution 661 (1990) immediately after the passage of the enabling resolution should resolve this difficulty;

(b) Paragraph 1 (d) of resolution 706 (1991) provides for a regular review by the Security Council of the ceiling of $1.6 billion. In the light of the estimates contained in the reports of his Executive Delegate, the Secretary-General will at the appropriate time recommend to the Council to use its powers under this provision to increase the maximum figure;

(c) The Security Council may wish to address the question of allowing assets held in favour of Iraq or any voluntary contributions to be deposited into the escrow account as a sub-account to be used exclusively in the manner and for the purposes stipulated in paragraph 20 of resolution 687 (1991);

(d) In response to the request to the Secretary-General to find a method for taking account of the costs of transportation of Iraqi petroleum and petroleum products, it is suggested that the transportation costs payable to Turkey be met in cash or kind. For this purpose, the Secretary-General considers that an additional amount of oil may be permitted to be exported from Iraq over and above the quantity necessary to meet the requirements of resolution 706 (1991). The actual transportation costs to BOTAS will have to be established by negotiations on an ad hoc basis. The value of any such oil is to be subject to the requirement that 30 per cent of its value should be paid directly to the Compensation Fund.

B. Specific measures for the implemention of the relevant provisions of Security Council resolution 706 (1991)

58. In accordance with the basic structure set out in section IV of the present report, the Secretary-General recommends the following specific measures for implementing the relevant provisions of resolution 706 (1991) in a manner that would effectively promote and satisfy the objectives and purposes of the resolution:

(a) Iraq, through its oil authority, SOMO, will market and sell the petroleum, f.o.b. Ceyhan;

(b) Every contract must include the following terms:

(i) The contract enters into force only after it has received the approval of the Committee established by resolution 661 (1990), following notification to the Committee by the State in which the purchaser is based;

(ii) The full proceeds from the sale of petroleum are to be deposited by the purchaser into the escrow account established by the United Nations and administered by the Secretary-General, in accordance with the Financial Regulations and Rules of the United Nations;

(iii) The purchaser must open a letter of credit for each transaction providing for payment into the United Nations escrow account;

(iv) The oil will be shipped via the Kirkuk-Yumurtalik pipeline from Iraq to Turkey;

(c) The Security Council Committee established by resolution 661 (1990) will have ultimate responsibility for monitoring the sale of Iraqi oil. It will be assisted in this function by independent inspection agents appointed by the United Nations, who will verify that the above terms are included in every contract and that the price of the oil is reasonable in light of prevailing market conditions. The Committee may also be assisted by other experts as appropriate in all aspects of its work deriving from Security Council resolution 706 (1991);

(d) The Committee established by resolution 661 (1990) should adopt procedures by which approval of each contract can be obtained promptly. Submissions for approval to the Committee can be made only by the Government of the State of the purchaser concerned. The Governments of States where purchasers are located should, where necessary, establish procedures that facilitate prompt submission of the contracts to the Committee for approval;

(e) Inspection agents will be appointed by the United Nations to ensure that the quantity and quality of oil delivered accords with the contract terms and that no oil is delivered without the requisite approval. They will be stationed at the Iraqi access points to the Kirkuk-Yumurtalik pipeline, at the border between Iraq and Turkey to the extent possible and at the loading terminal in Yumurtalik;

(f) The purchaser will open a letter of credit, issued by a reputable bank engaged in international banking, for each transaction providing for payment into the United Nations escrow account;

(g) Explicit language should be included in the Security Council resolution approving the present report setting forth the immunity of the oil. Iraq should be required, in the same resolution, to take all steps necessary to accord immunity to the oil. Additionally, Turkey should be called upon by the resolution to ensure that, while in Turkish jurisdiction, the oil will not be subjected to legal proceedings;

(h) The escrow account should be set up as a United Nations account and as such will be fully protected by the immunities of the United Nations. Additional protection would follow from establishing the escrow account in a bank of a country which, under the national laws of that country, enjoys the maximum protection from third-party claims. It would also come from including language in the Security Council resolution approving the present report reiterating that the escrow account is to be considered a United Nations asset and therefore enjoys the privileges and immunities of the United Nations;

(i) Purchases of the supplies to meet humanitarian needs in Iraq will be undertaken by Iraq. Monitoring of the purchases and deliveries will be undertaken by the Secretariat with the assistance of United Nations-appointed inspection agents;

(j) The Office of the Executive Delegate will receive a list of humanitarian requirements from Iraq and, after revising the list, if necessary, submit it to the Committee established by resolution 661 (1990) for approval;

(k) The Committee established by resolution 661 (1990) should adopt procedures for approving the submitted list. Upon approval, the Committee shall so notify the Secretary-General, who shall authorize payments from the United Nations escrow account. The Office of the Executive Delegate will then notify Iraq that it may commence procedures for the purchases and for arranging deliveries of the goods;

(l) Inspection agents appointed by the United Nations will evaluate, verify and monitor every element of the transaction up to entry points to Iraq. Part-payment may be made to suppliers at the time of delivery. The remainder will be paid after the Office of the Executive Delegate has submitted a report confirming compliance with the terms of the supply contract to the Committee established by resolution 661 (1990) and the Committee approves such payment;

(m) Movement of goods to designated centres and commencement of in-country distribution will be arranged by the government agencies concerned, which will notify the Office of the Executive Delegate of the proposed distribution of incoming consignments in order to enable the United Nations agencies to put in place effective monitoring arrangements;

(n) Monitoring of in-country distribution will be undertaken in accordance with the proposals submitted by the Executive Delegate of the Secretary-General on 27 August 1991, reproduced in annex II to the present report.

Annex I

Report of the Executive Delegate of the Secretary-General dated 28 August 1991 on estimates of humanitarian requirements

1. As concluded by the recent humanitarian inter-agency mission of the Executive Delegate of the Secretary-General, the present food, health and nutrition situation in Iraq is critical. The government rationing system currently provides only 60 per cent of the required energy intake and lacks a number of essential nutrients that are necessary for normal growth and development. To complement its food ration, the population is forced to trade on the "parallel" market where the prices have become prohibitive not only for the poor but even for the middle and upper-middle income groups.

2. The problems of this severely debilitated population are further aggravated by widespread shortages of essential medicines and supplies, a situation that has forced many hospitals and health institutions throughout the country to stop dispensing even the most basic of primary health care services. Not only do the severely malnourished often remain untreated, but it has also become apparent recently that a large number of people suffering from infections and other diseases no longer seek assistance in hospitals as they know they will not receive treatment.

3. Additionally, a generalized lack of safe water and unreconstructed or insufficient sanitation facilities maintain the incidence of water-borne and endemic diseases at a high level throughout the country. Undernourished, weak children are particularly vulnerable to this range of diseases and mortality rates for children under the age of five have been rising steadily for the last few months. The situation is particularly dramatic in Basrah and other towns of southern Iraq where a combination of high levels of pollution in the Tigris and Euphrates rivers, as well as total stoppage of the sewerage systems, is forcing the populations to consume highly polluted water and, in some situations, to live ir overflowing raw sewage.

4. The nutrition and health situation continues to deteriorate with increased incidence of malnutrition in both its mild and acute forms, as well as a recrudescence of infectious diseases. Numerous cases of marasmus and kwashiorkor have been reported in different parts of the country and their numbers are increasing as no remedial actions are being taken to improve the population's food intake. Most recent assessments indicate a 40 to 50 per cent prevalence of growth stunting among children under 5 years of age, a 30 to 40 per cent prevalence of severe wasting, an 8 per cent prevalence of severe malnutrition and a 5 to 10 per cent prevalence of anaemia.

5. Assessments conducted to date have been on children who were able to reach the clinics and hospitals despite the poor transportation, infrastructure and other constraints. The actual prevalence of mulnutrition in the general population may be much higher. The food aid assistance

provided under the relief operations has been effective in preventing a collapse of the health and the nutritional situation, particularly among the displaced people that it reaches. Its impact, however, remains very limited (only 5 per cent of the population). The same situation applies in respect of the provision of essential drugs and access to non-polluted water.

6. It will be recalled that, taking into account the above situation, the recent United Nations inter-agency mission recommended that the maintenance of food supply and consumption as well as the close monitoring of the nutritional and health status of the Iraqi population over the next few months are absolutely necessary to prevent full-scale famine and major human disaster developing in the country.

7. Humanitarian resources resulting from oil sales are not likely to arrive in the requisite quantities in Iraq for two to three months from the adoption of the present report. In the meantime, and with winter coming on, the condition of people inside Iraq will deteriorate even further. It will be important that strong consideration be given to ensuring that the humanitarian programme takes into account how needs will be met until assistance from this programme can be provided.

Food requirements

8. The mission estimated the cost of the imports required to maintain normal food consumption levels at $US 2.64 billion for a one-year period ($US 1.32 billion for six months). These import requirements and costs were broken down for 14 different commodities.

9. The mission also calculated import requirements on the basis of survival ration levels that WFP provides world wide to sustain disaster-stricken populations. This amounted to $US 1.62 billion for 12 months ($US 810 million for six months). This covers a food intake consisting of 1,900 kilocalories per day.

10. Since the publication of the inter-agency report, there are no new elements that, in the opinion of the Secretary-General, would tend to modify the above assessment.

11. It is noted at the same time that Security Council resolution 706 (1991) allows Iraq to export petroleum products up to $US 1.6 billion over a period of six months to finance the purchase of foodstuffs, medicines and other materials and supplies to meet essential civilian needs. After deductions of the amount of Iraq's financial obligations, as set out in paragraphs 2 and 3 of the resolution, there remains approximately $US 933 million for essential humanitarian imports of which, say, $US 670 million could be used for food. This would be substantially less than the minimum food import requirements calculated by the inter-agency mission based on the assumption that all sectors of the population receive identical rations.

12. Clearly, therefore, strict prioritization of food imports becomes mandatory, and these will have to be limited to only the most essential basic foods. It is recommended that first priority in the import of foods should be given to the commodities included in the Government-administered daily ration basket, namely: wheat flour, rice, vegetable oil, lentils, sugar, tea and powdered milk.

13. In September 1990, the Government of Iraq introduced a new rationing system consisting of seven basic food items designed to provide about 2,450 kilocalories per person per day. This ration was subsequently scaled down as a result of food shortages to about 1,600 kilocalories, which is below the survival ration mentioned in paragraph 9 above. The basic ration in this new system is substantially lower than the pre-war food intake of more than 3,000 kilocalories per person per day.

14. In order to restore rations to an improved consumption level of 2,450 kilocalories daily, and discounting major food items not included in the ration basket, import requirements for six months would amount to $US 1.1 billion. This requirement includes the amount of funding required to continue the vulnerable group feeding programmes.

Daily food rations required to provide 2,450 kcal for 18 million people translated into quantities and costs

	Daily ration (kg)	Ration for 30 days (kg)	Requirements for 6 months (tons)	Price per ton c.i.f. Iraq ($US)	Cost ($US)
Flour	0.433	13.00	1 404 000	270	379 080 000
Rice	0.125	3.75	405 000	370	149 850 000
Oil	0.033	1.00	108 000	1 050	113 400 000
Pulses	0.017	0.50	54 000	580	31 320 000
Sugar	0.100	3.00	324 000	520	168 480 000
Tea	0.008	0.25	27 000	2 930	79 110 000
Milk	0.033	1.00	108 000	1 550	167 400 000
Total					1 088 640 000

15. It will be noted that this figure is $US 430 million in excess of what would be available for food. Whatever stocks the Government may at present have at its disposal should not be discounted against the $US 1.1 billion total, since they serve a useful purpose as a supply cushion, given the time delays involved. In the light of these findings, the Security Council may wish to review its earlier decision to limit Iraq oil sales to $US 1.6 billion.

Health and sanitation requirements

16. In the health and sanitation field, the inter-agency mission estimated the cost of imports required to re-establish basic health services in Iraq at $US 167 million for a period of four months, or $US 250 million for a period of six months. Additionally, an estimated $US 18 million was deemed essential to initiate the urgent and critically needed supplementary feeding programme for mothers and children for four months, e.g. $US 27 million for six months.

17. Critical water and sanitation requirements covering both equipment and supplies were likewise estimated by the inter-agency mission at $US 80 million for four months, including the front-end costs of restoring major equipment, or $US 120 million for six months.

18. Thus, if $US 670 million is allocated for the provision of urgently needed food aid, the balance of $US 330 million, after careful consideration of priorities, procurement and delivery constraints, should be divided in the following manner:

	(Millions of dollars)
Health	200
Supplementary feeding programmes	30
Water and sanitation	100

Agricultural inputs for the 1991/92 planting season

19. Input requirements for the emergency rehabilitation of the main sectors of agriculture (staple food crop production and livestock production) were estimated by the United Nations inter-agency mission to total approximately $US 500 million for the 1991/92 agricultural season. At the same time, the mission suggested a scenario for a greatly reduced overall level of services, which comprised $US 300 million for essential agricultural inputs.

20. However, it would not be possible to import even this reduced amount of agricultural inputs given the limited resources available and the competing emergency requirements in other sectors. Unless essential agricultural inputs are provided, however, the productivity of Iraq's agriculture will continue to be seriously affected. This will result in the need for ever-increasing imports of basic food supplies.

21. It is in the nature of things that agricultural inputs of this kind must be procured ahead of time if they are to have any impact on the next crop-growing season. The Secretary-General recommends that this aspect of the humanitarian needs in Iraq be given special attention by the Council.

22. In conclusion, taking into account food and agricultural input needs, as well as requirements for health, water, sanitation and supplemental feeding programmes, the total estimate of humanitarian requirements is $1.73 billion net of deductions for the other purposes stipulated in resolution 706 (1991).

Annex II

Report of the Executive Delegate of the Secretary-General dated 27 August 1991 on in-country monitoring of the distribution of emergency imports to meet basic human needs

INTRODUCTION

1. The present report deals with in-country monitoring, which is designed as an extension of the separate surveillance mechanism under which all financial transactions and shipping arrangements are covered. It also recommends the elements of a system to monitor the impact that existing shortages have on the health and well-being of the Iraqi people and how imported supplies will improve their situation, to the extent that such a linkage is possible and meaningful.

2. The report further discusses the proposed organizational structure for carrying out the various monitoring activities concerned. Budget estimates are given for each monitoring function.

3. A viable monitoring system must be able to provide answers to questions with respect to existing conditions, trends or sudden changes in supply and demand. In order to accomplish these objectives, monitoring devices must be responsive, but at the same time selective and practical. It is not feasible to construct a complete or comprehensive system within the time horizon available.

4. It is assumed that the proposed monitoring arrangements will be agreed to by the Government of Iraq and implemented in collaboration with the sectoral ministries concerned. Indeed, with 27,000 different food distribution points and 1,200 hospitals and medical centres in Iraq, it is difficult to contemplate any such monitoring system being carried out without the cooperation of the authorities. A particular advantage inherent in government cooperation is that information generated through United Nations technical or programme assistance can readily be integrated in the monitoring function. In addition, the cooperation of non-governmental organizations (NGOs) will be sought to the greatest extent possible.

5. To facilitate identification of supplies and equipment provided under the scheme, packaging will be labelled to indicate that the contents are provided in accordance with the provisions of United Nations Security Council resolution 706 (1991).

6. It is recognized that vital humanitarian assistance through regular Government-managed mechanisms does not reach some vulnerable groups within Iraq. Those being assisted by the current humanitarian programme in northern Iraq are an example; groups in specially difficult circumstances such as female-headed households, abandoned juveniles, orphans and slum dwellers also require special consideration. It is recommended that the participating

United Nations agencies, in particular UNICEF and WFP, would purchase and distribute the required humanitarian goods until such time as it can be demonstrated that other mechanisms can take over.

7. The monitoring system will be organized in two separate segments:

(a) Monitoring of the delivery and distribution of imports. This segment includes the following categories:

(i) Food items;

(ii) Medical supplies and equipment;

(iii) Water/sanitation supplies and equipment;

(b) Impact will be monitored to establish the adequacy of the humanitarian programme, and the monitoring will cover:

(i) Nutritional surveillance;

(ii) Epidemiological surveillance;

(iii) Status of water purification and sanitation.

8. Within each of the above categories, a number of procedural steps and indicators have been selected, which, taken together, offer reasonable assurance that the supplies being imported are properly and equitably distributed to the population and provide a meaningful picture of the impact that increased imports are having on the Iraqi population.

9. A special monitoring section will be established within the Inter-Agency Relief Coordination Unit in Iraq. Its purpose will be to oversee the monitoring activities and to prepare periodic reports and assessments on the proper functioning of the distribution mechanism and on the impact of imports to fill supply shortages. It will utilize to the maximum extent the specialist know-how available to it through WHO and UNICEF for the health- and sanitation-related components and through FAO and WFP for the food supply aspects. UNHCR, UN Guards and affiliated NGOs, by virtue of their staff deployment in the country, will provide a complementary regional dimension in monitoring deliveries to end-users.

10. It has been agreed that the lead agency responsibility for monitoring the distribution and impact of basic emergency commodities will be as follows:

Medical supplies and essential drugs: UNICEF

Epidemiological surveillance: WHO

Nutritional assessment and supplementary feeding programmes for vulnerable groups: UNICEF/WFP/FAO

Food aid, changes in the traditional subsidized food basket: WFP

Global monitoring of food production and grain consumption: FAO

Food price fluctuations: FAO/WFP

Water and sanitation: UNICEF/WHO

Delivery and application of agricultural inputs: FAO

11. The estimates of humanitarian needs described separately strongly indicate that the means available under Security Council resolution 706 (1991) are insufficient to meet all the needs identified in previous reports, and specifically in the Executive Delegate's report of 15 July 1991 (S/22799). A particular requirement concerns the agricultural inputs needed for the 1991/92 planting season and the production of staple food crops and livestock feed. In the event that inputs such as seed, fertilizer, pesticides or veterinary drugs cannot be imported immediately in any reasonable quantities, it is obvious that substantial additional food deficits will be created in 1992.

I. FOOD SUPPLY AND DISTRIBUTION

12. In September 1990 the Government of Iraq introduced a food rationing system providing limited quantities of essential foodstuffs that can be purchased at controlled prices. The system is administered by the Ministry of Trade, through a country-wide network of 27,000 food distribution points, and is open to all Iraqi citizens applying for the coupons needed to gain access to it.

13. In the area of food distribution, monitoring will be confined to the quantity and prices of food items that now make up the basic ration basket. It is not realistic to attempt to follow distribution and consumption patterns for hundreds of different food commodities that are retailed through the private sector. The present ration basket consists of wheat flour (or wheat flour mixed with barley and corn flour), rice, oil, sugar, pulses, tea and milk powder for children. Some of the items are more severely rationed than others, in relation to normal consumption. On the average, the basket is said to provide about 40 to 45 per cent of the normal monthly requirements of an individual. Families are accordingly forced to cover the balance of their food needs from the open market at inflated and mostly unaffordable prices.

14. By all accounts government rationing is administered in an equitable manner, and there is no evidence that any category of the population has been discriminated against deliberately. Transportation problems sometimes account for delays in the timely issue of the rations. Present coverage of the ration scheme is assessed to be approximately 80 per cent of the population.

15. The Government will, in all likelihood, maintain the present rationing system for the foreseeable future, which provides a ready-made framework for

monitoring food distribution. Imports that would be made by the Government under the limited supply programme would consist primarily of commodities presently included in the subsidized ration basket and augmented to the extent possible by restoration of other items. Although these items at present are not sufficient to make up a balanced diet, the provision of those commodities at levels close to normal consumption would constitute a significant improvement in food supply.

16. The importation of food into Iraq will accordingly be monitored by the United Nations in close cooperation with the Ministry of Trade at the central level. The information obtained from the Ministry of Trade on food imports will form the basis for the provincial monitoring. United Nations staff in the provinces will conduct spot checks to ensure that the imported food is actually distributed from the provincial warehouses to the retail ration shops in the provinces.

17. For vulnerable groups at the provincial level, and groups facing especially difficult circumstances, a combination of management and monitoring systems administered by the participating United Nations agencies is recommended to ensure that basic food needs are met. The monitoring system should provide an early warning of potential problems for people who are outside the Government-administered ration distribution programme and who would therefore be subject to a decline in their health and nutritional status. It is recommended that $US 50 million be provided to meet food supply problems of this kind and that it be fully managed by the United Nations.

Impact monitoring

18. An important element of the impact monitoring will be accomplished by following the composition of the ration food basket, noting in particular the changes made in the ration of individual items. In the aggregate, such changes should match or correspond to the quantities imported, providing a measure of the "distribution response" as far as that particular item is concerned.

19. In parallel, the fluctuations in the price of the commodities included in the ration basket will be closely monitored, by region, so as to provide a double check on the ability of the population to obtain adequate food to meet their needs. To the extent that the rations of individual items in the basket are augmented, this will inevitably tend to drive down prices in the town markets and limit speculation. Sample household surveys will also be conducted to indicate changes taking place at the consumer level and what improvements are needed.

II. MEDICAL SUPPLIES AND EQUIPMENT

20. The supply of vaccines, drugs and medical equipment in Iraq is carried out by a government agency, the State Organization for the Marketing of Drugs and Medical Appliances, commonly known as KIMADIA. It has a monopoly on all related financial and commercial transactions, for both the Government and the private sector.

21. KIMADIA has its own stores in all the governorates and makes available drugs to the governorates against budgets established for each of them, on a revolving fund basis, since medicines were charged to the users at cost plus. Provincial directorates in turn distribute the drugs to hospitals and health centres in the governorate.

22. For monitoring purposes, it is proposed to rely on the existing distribution and storage system for medical supplies while at the same time providing technical assistance through UNICEF and WHO to improve management procedures. In view of the fact that the internal distribution system is already very centralized, it is felt that the monitoring of distribution of drugs and matching the drugs with authorized imports are not likely to present a major difficulty.

23. The availability of essential drugs and other medical supplies in hard-to-reach areas and to groups in specially difficult circumstances is critical and will be achieved through a combination of management and monitoring system administered by the United Nations agencies concerned with funds provided to them directly, in the amount of $US 15 million.

Impact monitoring

24. To monitor the impact of improvements in the distribution system on the beneficiaries will require concurrent assessments in several areas. Among others, diagnostic laboratory services in support of epidemiological surveillance systems for communicable diseases will be strengthened and a sentinel reporting system instituted to cover cholera, diarrhoeal diseases and acute respiratory infections (ARI) at a few facilities in each governorate. The benefits to the population will be assessed through the use of the following indicators:

(a) Availability and use of some 20 core essential drugs in key health care institutions and locations;

(b) Morbidity and mortality rates for a specific number of diseases, with special attention to cholera and diarrhoeal diseases through information provided by the sentinel sites;

(c) Percentage of health facilities offering oral rehydration salts (ORS) and basic antibiotics on a regular basis;

(d) Percentage of the population with access to effective care management at health facilities;

(e) Changes in the utilization of health services by:

(i) Hospital occupancies;

(ii) Numbers and types of out-patient departments (OPD) consultancies;

(iii) Numbers and types of mother and child health (MCH) consultancies;

(iv) Number of surgical treatments.

25. The modalities for the collection and collation of this information will be based upon the existing reporting systems. Consultants will also be engaged for further studies and assessments as required.

III. NUTRITION

26. The sharp decline in food availability and the increase in the price of essential commodities, the high prevalence of growth retardation and wasting among infants and severe malnutrition among women and children under five years old demand the rapid and immediate deployment of a supplementary feeding programme especially in severely affected areas.

27. To help to meet these acute needs, UNICEF is introducing a therapeutic and nutrition rehabilitation programme, which is integrated with other MCH activities, such as growth monitoring, immunization, vitamin A deficiency prophylaxis, distribution of iron-folic acid tablets, ORS and other components of the primary health care programme.

28. In the above context, UNICEF and NGO personnel already collaborate with the staff of the Ministry of Labour and Social Affairs, as well as the Ministry of Health, in the operation of the MCH centres that will provide the key framework for the implementation of the nutritional programme and of its extension to all communities. The distribution of food commodities needed by the feeding programme, as well as their processing and ultimate use by the intended beneficiaries will be monitored in collaboration with the national technical staff concerned by UNICEF and NGO personnel already working in the country.

Impact monitoring

29. In view of the need to monitor the overall food and nutrition situation closely, and to provide regular updated assessments of the most pressing needs, a rapid survey of food consumption patterns and nutritional status of the population will be conducted. The data collected from this survey will serve as a baseline for the continuing monitoring of the food consumption and nutritional status of the population of Iraq. This information will be correlated with data generated by the FAO global information early-warning

system. Because of the importance of germane activities conducted in the field of nutrition by FAO and WFP, UNICEF will liaise closely in the implementation of its relevant activities with these two organizations.

30. The impact monitoring in the nutritional sector will include:

(a) Middle-upper arm circumference measurement surveys;

(b) Weight at birth and infant mortality statistics in hospitals and health facilities;

(c) Regular weight-for-age monitoring;

(d) Incidence of anaemia and vitamin A deficiency;

(e) Incidence of severe malnutrition;

(f) Increase in calorie intake per head per day (FAO/WFP).

IV. WATER AND SANITATION, SUPPLIES AND EQUIPMENT

31. The main cause for the almost total collapse of the water supply and sewage disposal systems, is the extensive damage to most of the electric power generation plants. Aluminium, sulphate and chlorine, the chemicals essential for water treatment, are in short supply. It is estimated that less than 70 per cent of the population is getting an average of 100 litres of water a day, the quality of which is doubtful. At the small treatment plants and compact units in the towns and rural areas, water is often supplied without any chlorination.

32. The United Nations has already set up a programme to help to procure and monitor the use of chlorine and other reagents used to purify water. They will continue to be actively involved in the procurement of spare parts, new pumps and generators, which are put to immediate use to reinforce or repair the water and sanitation structure at critical points. Equipment and supplies procured so far, however, represent a negligible part of urgent requirements and fall critically short of minimal standards of consumption.

33. As in the case of the assistance provided in the food and medical sector, special financial arrangements will be made so that the United Nations agencies concerned can improve access to potable water and sanitation services to groups in especially difficult circumstances or in hard-to-reach areas.

Impact monitoring

34. UNICEF will monitor, through its staff, the use of related equipment and supplies to verify that they are used for their intended purposes. The drinking water supply monitoring and surveillance system within the Ministry of Health will be strengthened by WHO to complement monitoring and water

production plans at the Baghdad and national water authorities levels, so as to ensure safe drinking water supplies at the users' level.

35. Impact monitoring will be carried out by a continuous check on the incidence of water-borne diseases and water quality control checks in cooperation with the water authorities concerned and the Ministry of Health. The following indicators will be monitored and reported upon regularly:

(a) Geographic distribution of materials and supplies imported for water/sewage treatment plants;

(b) Amount of water per head per day;

(c) Number of pumping hours;

(d) Number of rehabilitated water sources in deprived and difficult to reach areas;

(e) Residual chlorine in sentinel stations established throughout each system;

(f) Presence/absence of E. coli in sentinel stations;

(g) Quality of effluent from sewage treatment plants.

V. ORGANIZATIONAL REQUIREMENTS

36. The budgetary requirements for the various components of the monitoring system are detailed below. The total cost of implementing the entire monitoring scheme is estimated at $US 18,353,831. The costs are summarized by agency in the attached table.

Central Monitoring Unit

37. The various monitoring activities, whether concerned with the supply and distribution of foodstuffs and medicines or with impact monitoring, will be centralized and overseen by a special monitoring unit attached to the Office of the Coordinator and Special Representative of the Executive Delegate in Iraq. The unit will be headed by a Director of Operations reporting to the Coordinator.

38. The primary responsibility of the unit will be to collate all information and data generated through the monitoring activities undertaken by the participating United Nations agencies in the various substantive areas. It will also have the task of preparing the final versions of related periodic reports. A consolidated report concerning the entire monitoring programme will be submitted every two weeks to the secretariat of the Security Council Committee established by resolution 661 (1990).

39. The Director of Operations will be assisted by three Professional information managers, in the technical fields of food supply, medical supplies and equipment, as well as in data processing. They will be assisted by three suitably qualified United Nations Volunteer (UNV) specialists.

40. The budget, covering staff costs for international and national personnel, as well as the provision of transportation, office equipment and supplies, is estimated at $US 1,399,929 for a period of six months.

Food supply: monitoring of distribution and impact

41. WFP will continue and expand its present programme to feed vulnerable groups through national institutions and the Iraqi social welfare system. In addition, WFP will expand its presence in the 18 provinces and make frequent visits to the border points, in order to monitor the Government's receipt and allocation of food commodities to retail ration shops.

42. In order to fulfil this mandate appropriately, the field structure of WFP in Iraq will have to be strengthened. Three field-based P-4 officers will supervise/coordinate 36 UNV specialists (or P-2/P-3 officers). Given the large volume of food expected, a minimum of two expatriate staff members are required to monitor the movement of supplies at the provincial level. The field monitors will be supported by national staff as appropriate.

43. In-country transportation as well as liaison with the port in Jordan and the office in Turkey will be coordinated by one Logistics Coordinator and will be implemented by three logistics officers (P-3 level) or UNV specialists.

44. For the supply of food to the areas outside government control, WFP will purchase food on the world market. For that purpose three P-3/P-4 purchasing officers are necessary, and support staff. The purchasing officers will be posted in New York, Geneva or Rome.

45. Overall backstopping of field operations will be effected by two P-4/P-5 Professional officers at Headquarters and four G-5/G-6 General Service staff, all located at Headquarters.

46. The field-based staff will require 16 small-sized vehicles, equipped with radios; additional drivers will be hired. For efficient monitoring, some communication facilities will have to be purchased and installed in Iraq and office facilities expanded. Additional secretaries will be hired. As shared United Nations office facilities are not available in all locations where WFP staff are to be posted, a provision for the rental of office premises has been made. The total cost of these requirements is $US 5,189,073.

Medical supply/water and sanitation: monitoring of distribution and impact

47. UNICEF will reinforce its emergency health care programmes in Iraq as well as its field structure in Baghdad and in eight selected locations in the northern, north-eastern and southern part of the country. The requirements

for additional staff, supporting infrastructure and services are presented below.

48. In order to improve the management of supply and equipment distribution, UNICEF staff will be strengthened to provide operational support, including:

(a) Two logistics officers at the L-4 and L-3 level to coordinate the overall management of the distribution monitoring system and to liaise with the Government on improving the distribution system;

(b) Nine field-based assistant logistics officers (UNV specialists) to work in various governorates, ensuring close monitoring and timely distribution of supplies from central stores to the periphery;

(c) Eight warehouse assistants to monitor warehouse functions at the governorate level (local staff).

49. A component of UNICEF's project to support the Government's supply system in making inventories, shipping lists, receipts and monitoring of supply movements includes the introduction of a computerized tracing mechanism using laser pen readers (optical code readers, OCR) and bar-code labels or stickers. Programme support will require several laptop computers, portable printers and OCRs.

50. All logistics officers will need transportation and communication between the field warehouses and Baghdad. The purchase of 16 small-sized vehicles, 2 for each location, and equipped with suitable SSB radio equipment, is required.

51. Impact monitoring activities will require an augmentation of UNICEF staff already in place, including:

(a) One data management consultant to set up a computerized distribution impact monitoring system for six months;

(b) Two programme officers to reinforce the health and nutrition sectors;

(c) Twenty-four assistant programme officers to reinforce UNICEF technical assistance in the eight selected locations mentioned above;

(d) Twenty additional vehicles, equipped with radios to ensure adequate communication between the field and Baghdad.

52. The total cost of the above requirements is $US 6,439,134.

53. For its part, WHO will augment its programme to monitor those factors that impinge on the quality of life and the impact of the humanitarian relief programme.

54. The components of this monitoring system will focus on the following programme areas:

(a) Communicable diseases;

(b) Diarrhoeal diseases, acute respiratory infections, maternal and child health;

(c) Essential drug supply;

(d) Medical, surgical, dental and diagnostic equipment and supplies;

(e) Water quality control.

55. To meet the above objectives, WHO will recruit staff/consultants to gather and analyse data collected throughout the country, to include a total of 16 international and 49 local employees, i.e. epidemiologists, microbiologists, public health physicians and engineers, statisticians and support staff.

56. Teams will be assigned to specific areas to cover the entire country and work closely with other United Nations staff, NGOs and local authorities. They will need additional transport, equipment and communications capability to facilitate their task. The estimated cost is $US 2,732,790.

Agricultural inputs: monitoring of distribution and impact

57. FAO requires the following staff and material to implement its programme in Iraq:

(a) Two Professional officers to perform nutrition surveys;

(b) Four national staff to reinforce the FAO office at Baghdad;

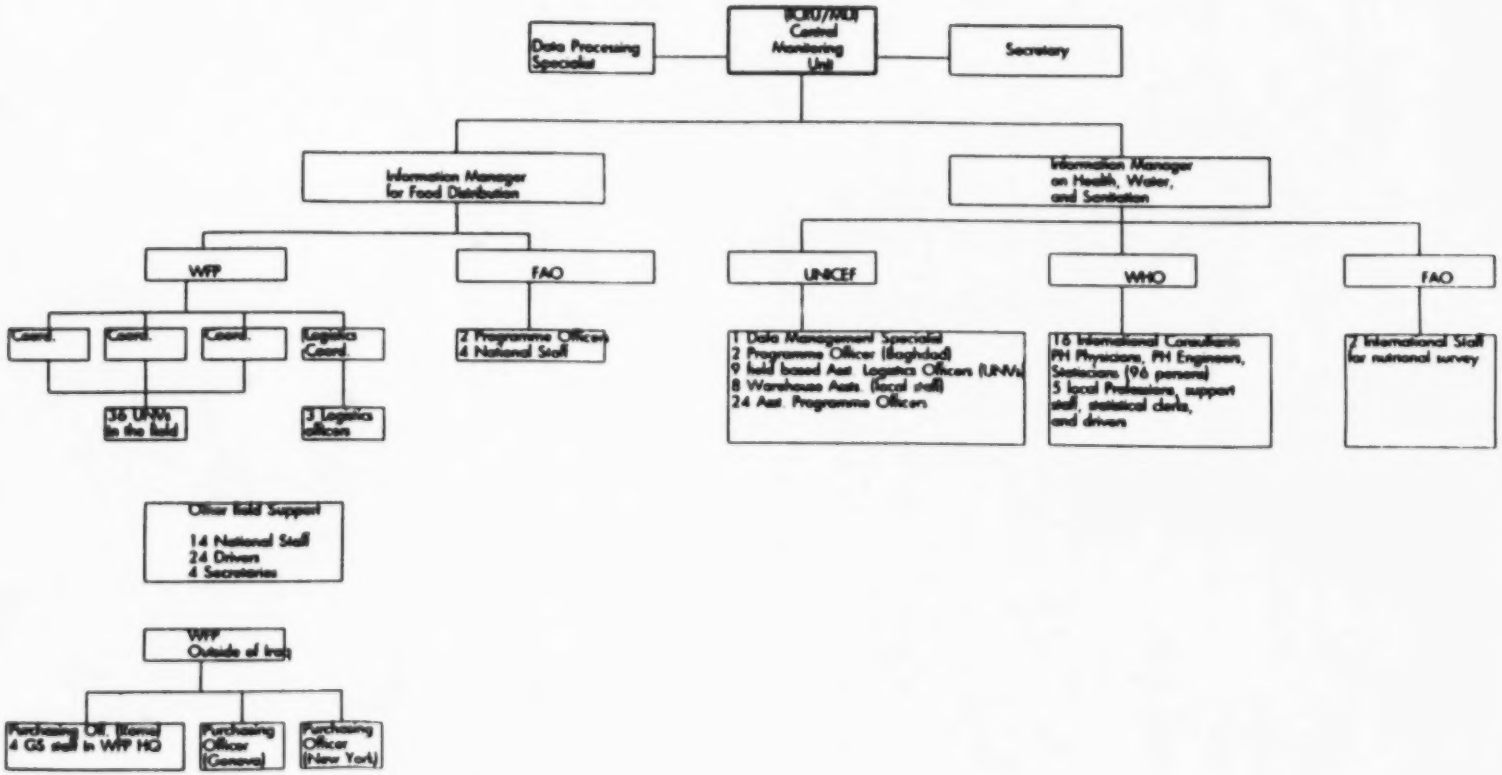
(c) Two consultants for the agricultural rehabilitation programme;

(d) Additional vehicles, office space and equipment at Baghdad and the field.

The estimated total cost of the above staff increases and associated expenditures is $US 857,000.

ORGANIZATIONAL STRUCTURE
FOR

IN-COUNTRY MONITORING OF THE
DISTRIBUTION OF EMERGENCY IMPORTS
TO MEET BASIC HUMAN NEEDS



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BUDGET REQUIREMENTS FOR IN-COUNTRY MONITORING OF THE DISTRIBUTION OF EMERGENCY IMPORTS TO MEET BASIC HUMAN NEEDS

Description	Expenditure code	Summary budgets for participating agencies					
		UNICEF	FAO	WFP	WHO	IRCU/MU a/	Total
Salaries and common staff costs	030	2 418 274	-	1 551 413	615 790	402 329	4 987 806
Consultants' fees and travel	040	622 500	603 000	-	1 485 600	247 500	2 958 600
Travel of staff	240	2 250 360	20 000	1 982 660	68 000	440 100	4 761 120
Rental and maintenance of vehicles, equipment and furniture	430	300 000	35 000	500 000	134 000	35 000	1 004 000
Communications	440	184 000	10 000	200 000	25 000	20 000	439 000
Miscellaneous services	490	-	-	-	-	100 000	100 000
Supplies and materials	500	50 000	5 000	80 000	56 000	20 000	211 000
Acquisition of equipment	600	614 000	15 000	875 000	360 000	135 000	1 999 000
Agency support costs	800	708 305	89 440	570 798	356 771	167 991	1 893 305
TOTAL		7 147 439	777 440	5 759 871	3 101 161	1 567 920	18 353 831

a/ Iraq Relief Coordination Unit/Monitoring Unit.